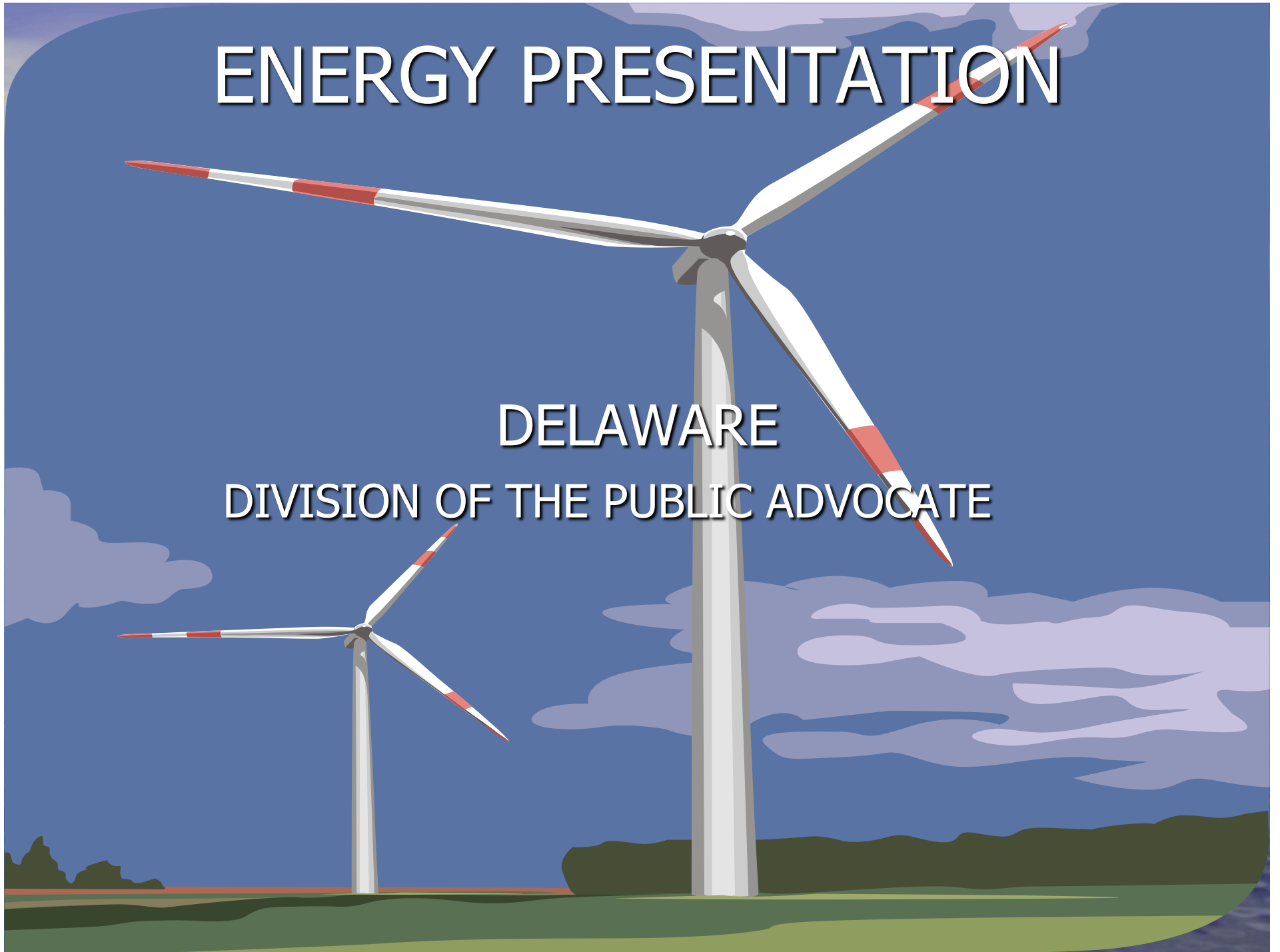


# ENERGY PRESENTATION

DELAWARE

DIVISION OF THE PUBLIC ADVOCATE



# DPA PERSONNEL

- PUBLIC ADVOCATE – ARTHUR PADMORE
- DEPUTY PUBLIC ADVOCATE - MICHAEL SHEEHY
- UTILITY ANALYST – JUSTIN MURPHY, Esq.
- ADMINISTRATOR – KISHON WILLIAMS
- KENT WALKER, ESQ. - ATTORNEY

# HOW CAN I CONTACT DPA?

- We are located at 820 N. French Street  
Wilmington, Delaware
- Office number is 302-577-5077



# OUR MISSION

## We are Fighting For You

- We advocate for the rate-payers of Delaware
- We represent you, the Rate-Payer, in matters of regulating the electric, water, natural gas, and telecommunications industries of Delaware





# ENERGY PRICES

- WHY ARE THEY INCREASING ?

1- Global Supply and Demand

2- Falling Domestic Production

3- Increase in Domestic consumption

4- Increase in Global consumption

5- 'Cheap Oil' is quickly diminishing

6- Energy Futures Market Speculation

7- Cost of implementing renewable sources of energy – Wind/Solar – is expensive



# GLOBAL SUPPLY & DEMAND

- In the past two decades, China, India, Russia, and the countries of eastern Europe have transitioned from communist economies to capitalist economies
- This has resulted in sharp increases in demand for world energy supplies, especially India and China given the large populations of each country
- This translates into billions of people now purchasing goods, services, and energy





# DECLINING U.S. PRODUCTION

- Production of oil in the U.S. has been declining in recent years
- There is an expected slight increase in the next few years\*\*\*
- Natural Gas – This price will trend with oil prices
- Coal
- Renewables –Wind -Solar



# INCREASE IN DOMESTIC CONSUMPTION



- Our economy grows
- Our population increases
- Computer Age - our economy is more dependent on electricity than ever before
- We have more automobiles on our highways
- We fly more

The background of the slide is a collage of US dollar bills, primarily \$100 bills, which are slightly faded and overlaid with the text.

# ELECTRICITY PRICES

- According to the EIA, the U.S. average residential retail price of electricity was **10.64 cents per kilowatt-hour in 2007.**
- Delaware's average retail price of electricity in 2007 was 13.17 cents per KWh
- Electricity Residential Price: Middle Atlantic **Published August 12, 2008**
  - **Forecast 2007 14 Cents per**
  - **Forecast 2008 14.8 Cents per Kilowatt-hour**
  - **Forecast 2009 16.4 Cents per Kilowatt-hour**
  - **Historical 2005 12.5 Cents per Kilowatt-hour**
  - **Historical 2006 13.4 Cents per Kilowatt-hour**
- See EIA web-page **STEO Chart** Electricity Residential Price: Middle Atlantic **Published August 12, 2008**



# ELECTRICITY PRICES

- **Prices.** Many utilities are continuing to pursue retail electricity rate increases in response to power generation fuel costs that have risen dramatically over the last 2 years. For example, the delivered cost of natural gas to the electric power sector in March was \$9.29 per million Btu, 25 percent higher than the average cost in March 2007.
- Average U.S. residential electricity prices are expected to increase by 5 percent in 2008 and by 10 percent in 2009

• See EIA web-page <http://www.eia.doe.gov/emeu/steo/pub/contents.html?featureclicked=1>



# U.S. CONSUMPTION

- According to the EIA, total electricity use in the residential sector, [is projected to experience] increases by 27 percent from 2006 to 2030...

## Energy Consumption

	2005	2006	2007	2008	2009
• <u>Petroleum</u> (mpd)	20.80	20.69	20.68	20.20	20.08
• <u>Natural Gas</u> (billion cubic feet per day)	60.30	59.32	63.16	65.09	
	66.18				
• <u>Coal</u> (million short tons)	1126	1112	1129	1133	
	1136				
• <u>Electricity</u> (billion kilowatt-hours per day)	10.44	10.46	10.66	10.76	
	10.87				
• <u>Renewables</u> (quadrillion Btu)	6.40	6.88	6.84	7.29	

# CHEAP OIL

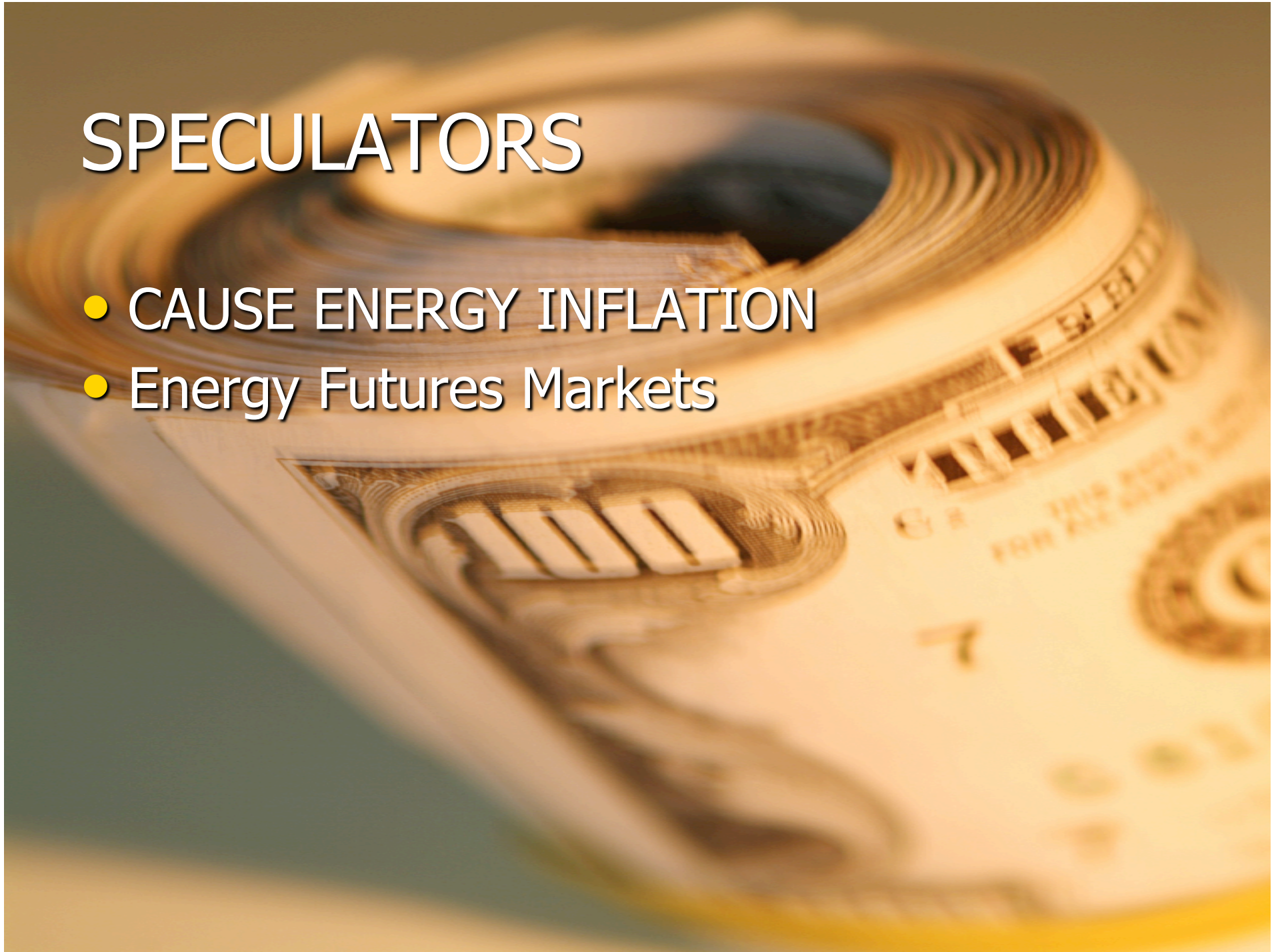


- It is becoming more and more expensive to extract fossil fuel resources every decade
- Fossil fuel resources sometimes require advanced technology for extraction, which results in an increase in costs
  - e.g. drilling deeper for natural gas and oil



# SPECULATORS

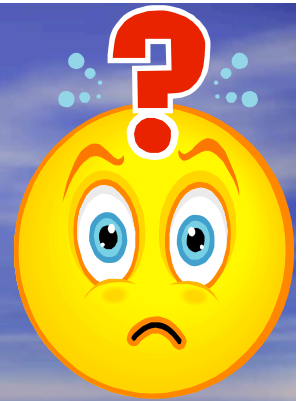
- CAUSE ENERGY INFLATION
- Energy Futures Markets







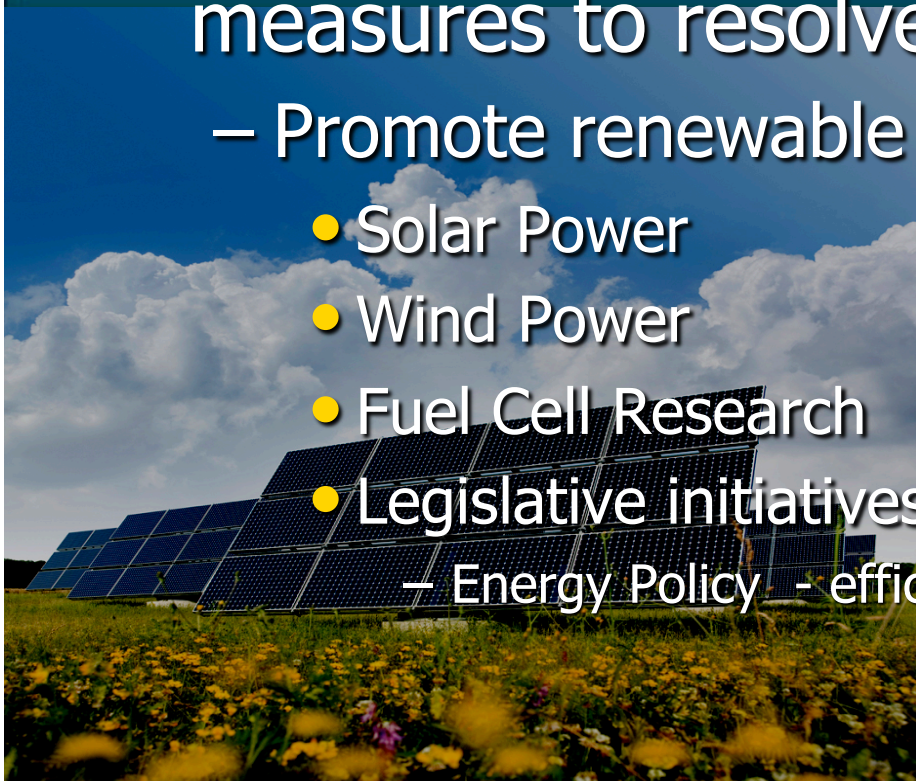
# WHAT IS THE SOLUTION?



- We all have a responsibility to act
  - Government - legislation
  - Private Sector - technology
  - Individuals – responsible use of energy
  - Utility Companies – more involvement in promoting energy conservation measures; Revenue Decoupling and Demand Side Management Programs

# GOVERNMENT

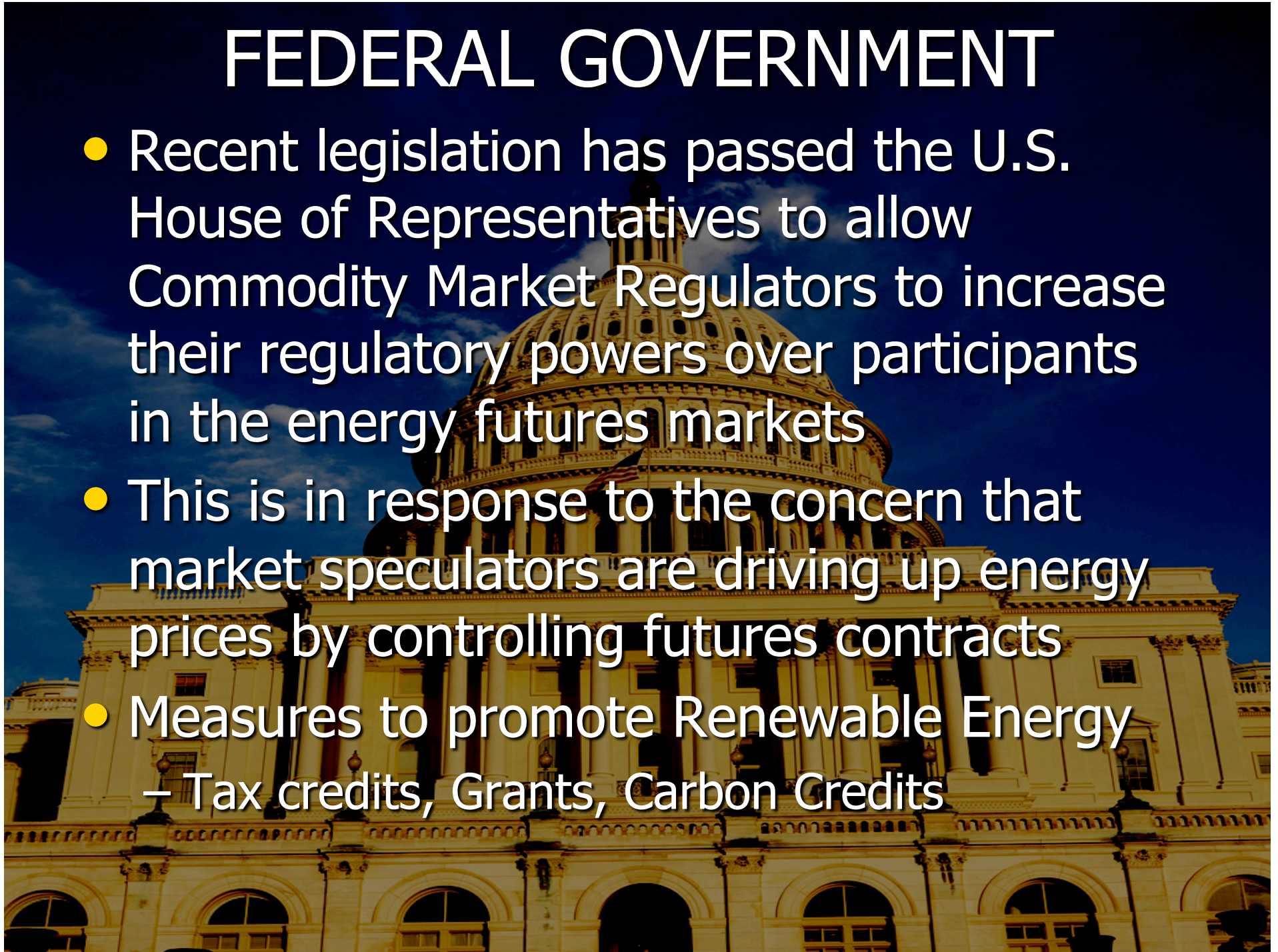
- The Federal Government, along with State Governments, have undertaken aggressive measures to resolve our energy crisis
  - Promote renewable sources of energy
    - Solar Power
    - Wind Power
    - Fuel Cell Research
    - Legislative initiatives
      - Energy Policy - efficiency standards increased





# FEDERAL GOVERNMENT

- Recent legislation has passed the U.S. House of Representatives to allow Commodity Market Regulators to increase their regulatory powers over participants in the energy futures markets
- This is in response to the concern that market speculators are driving up energy prices by controlling futures contracts
- Measures to promote Renewable Energy
  - Tax credits, Grants, Carbon Credits







# STATE GOVERNMENTS



- INITIATIVES TO PROMOTE CONSERVATION
- SEU
- DSM Programs – Promotion of revenue decoupling
- Grant Money for New Technologies
- Rebate programs for installing renewable sources of energy
- Delaware Green Energy Program
- [www.delaware-energy.com](http://www.delaware-energy.com)

- **The Delaware Energy Office offers grants up to 50% of the installed cost of Photovoltaic, Solar Water Heating, Wind and Geothermal renewable energy technologies.**

- **[Scott.Lynch@state.de.us](mailto:Scott.Lynch@state.de.us)**



739-1840

DECEMBER 7, 1787

**Energy Program Planner II**  
**1203 College Park Drive, Suite 101, Dover,**

**Telephone: (302) 735-3480 Fax: (302)**



# INDIVIDUALS

- Conserve, Conserve, Conserve
- Weatherization program
  - Contact
- Energy Efficient appliances
  - Take advantage of all applicable rebates ?? SEU
- Compact Fluorescent Light Bulbs
- Cut down on Driving
- Summer time – try to not use the dryer to dry clothes
- Reduce electric consumption during 'peak hours'



# DPA ACCOMPLISHMENTS

- **Accomplishments**
- Saving Delaware utility customers millions in Fiscal Year 2007:
- In PSC Docket 06-158, Artesian Water Resources filed a \$9.8 million rate increase and DPA negotiated a settlement with an avoided cost savings for consumers of \$3.8 million.
- In PSC Docket 06-174, United Water Resources filed a \$5.8 million rate increase and DPA negotiated a settlement with an avoided cost savings of \$2 million.
- In PSC Docket 06-145, Tidewater Utilities filed a \$5.4 million rate increase and DPA negotiated a settlement with an avoided cost of \$1.5 million.
- In PSC Docket 06-284, Delmarva Power filed a \$14.9 million rate increase and DPA negotiated a settlement with an avoided cost savings of \$5.9 million.



A man in a dark suit, light blue shirt, and yellow patterned tie stands with his arms raised in a 'V' shape, signifying victory or achievement. He is positioned in the center of the frame against a background of a blue sky and a dark, textured ground.

# DPA ACCOMPLISHMENTS

- **Required land developers to pay their share of utility expansion costs:**
- **DPA successfully petitioned the PSC to re-open Regulation Docket 15 which dealt with regulated water utilities. DPA believed that existing ratepayers were being burdened with rate increases from new development due to the under collection of contributions from real estate developers. The modified rules now require at least \$1,500 per home be collected by the water utility from developers to more accurately recover costs from the new homes, which were the primary causers of the additional cost of providing service.**
- **Kept wholesale energy rates reasonable:**
- **DPA has filed a complaint with the Federal Energy Regulatory Commission (FERC) with regard to PJM business operations tariffs governing the wholesale market monitor. The market monitor is responsible for protecting consumers from market manipulation by generators.**